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SUBJECT: RUSSIAN TRAVEL AGENCIES LOOK TO THE MEDIUM- TO LONG-TERM FOR GROWTH IN TRAVEL TO UNITED STATES

¶1. (U) Summary: Russian travel agencies who sell trips to America remain optimistic about their medium- to long-term business prospects despite the recent, marked decline in airline passenger volumes. While conceding that their numbers will not be as strong as they were in 2008, particularly among corporate clients, the agencies we spoke with feel Russian tourists increasingly appreciate the customer service, value for money, and prestige an American vacation represents. As proof of this, Russian agencies, spurred by FCS advocacy, easily filled the country's participation quota at an upcoming U.S. travel industry event in Miami. Although many Russian tourists still prefer the security and ease of booking packaged travel through an agency, particularly for popular sun-and-beach destinations catering to the Russian market, they also appear open to the myriad opportunities travel to the United States offers. End Summary.

¶2. (U) In recent years, Russian tourism to the United States has increased markedly. B1/B2 visa applications in Moscow are indicative of this trend: 65,930 in 2006; 76,657 in 2007; and 96,224 in 2008. In the past few months, however, tourism has been hit by the overall decline in economic activity, with 2009 B1/B2 visa applications in Moscow down 11 percent to date.

¶3. (U) Russian airline passenger numbers also fell sharply in January 2009, the most recent month for which statistics are available. According to the Russian Federal Agency for Air Transportation's website, airlines' passenger volume for the month was down 16.7 percent from January 2008. In 2008, airlines flying out of Russia transported 49.8 million passengers, 10.4 percent more than in 2007. Although exact figures are unavailable for travel to the United States, the agencies we spoke with indicated that corporate travel, business incentive travel in particular, has declined much further and faster than tourist travel.

And The Survey Says

¶4. (U) To better understand Russian travelers and their travel patterns, we recently surveyed several travel agencies in Moscow (America Travel, Holiday Time, KMP Group, and Holiday-M), which sell tours to the United States. In addition to discussing these issues, we also asked them how the current

economic situation is affecting their business. Despite the recent decline in business, the agencies' representatives remained upbeat with regard to medium term prospects. With anywhere from two to fifteen years' experience selling their clients travel to the United States, the agencies also were very optimistic about the longer term prospects for growth in the number of Russian tourists going to the United States.

15. (U) The key findings of our research are the following:

-- The most popular U.S. destinations for Russian tourists are New York, Miami, Las Vegas, Los Angeles, and Hawaii, for anywhere from 7 to 21 days. Cruise packages are popular, and are often combined with one or two weeks of mainland travel.

-- Russian tourists travel to the United States because they have already been to Turkey, Egypt, and other sunshine destinations and wish to experience more than relaxing on a beach.

-- Many Russian tourists still consider travel to the United States exotic and prestigious, in part because it remains beyond the financial reach of much of the traveling populace. Increasingly, however, and for repeat tourists in particular, travel in the United States represents an excellent value-for-money proposition both in terms of customer service and shopping bargains.

-- 2008 was a boom year for Russian tourism to the United States, with travel agencies experiencing traveler and revenue growth of 20 to 50 percent over 2007 figures. At present, the companies we spoke with forecast their numbers would be down on 2008 but no worse than in 2007.

U.S. Travel Trade Show Attracts Russian Interest

16. (U) Local travel agents are attuned to this burgeoning market. The Foreign Commercial Service in Moscow succeeded in recruiting 27 Russian delegates for the U.S. industry's major travel and tourism event, International Pow Wow, that will be held in Miami from May 16-20. Attendance from Russia would have been even higher considering the numerous expressions of interest and inquiries but the show organizer limited the delegation size based on previous years' attendance. The last delegation that FCS organized was in 2007 and it totaled 20 participants. The high level of interest among Russian tour operators and travel agents in this major U.S. industry trade show that features U.S. destinations, lodgings, and services for the tourism industry is indicative of the attraction that the U.S. market has for Russian tourists. The Russian travel agents participating in the event are paying their own way, at \$995 per person (with a discounted rate of \$695 for Early Birds).

Visa-Free and Beachfront: Catering to the Russian Market

17. (U) According to a recent report issued by the European Travel Commission, most of the travel growth out of Russia in the last four to five years has been for sun-and-beach destinations, notably Turkey and Egypt, both of which are increasingly sold on a year-round basis. At the same time, destinations that have attracted consistent growth are those for which no visas are necessary, or which offer visas on arrival, such as Turkey, Egypt, Dubai, Tunisia, and Thailand (although, this year tour travel to Egypt and Turkey is down significantly ? 40 percent or more). Many trips are decided and booked at the last minute so Russians, notoriously late bookers, prefer to avoid the possible hassle of applying for visas. That said, for other destinations such as the United Kingdom (and, presumably, the United States), Russians plan ahead because they know they will need to obtain visas. Current visa requirements undoubtedly discourage some Russian tourists from traveling to the United States.

Thoughts on Current and Future Trends

18. (U) Embassy Moscow anticipates resumed strong growth in B1/B2 visa demand in Moscow once economic recovery sets in. At over 96,000, B1/B2 visa applications in CY 2008 were 26 percent higher than in CY 2007 (which saw an increase of 16 percent over CY 2006). Despite a slump for the first three months of this year, which showed an 11 percent drop in B1/B2 visa applications and thus indicates a strong probability of a decline for 2009 overall, post anticipates that there will be a return to growth in annual B1/B2 visa applications in the medium to long term, once Russia's commodity-dependent economy recovers from the current global downturn. Such a future upward trend in B1/B2 visa applications would reflect what post has seen in years past when the number of visa issuances here went through troughs that coincided with hard times, for example in 1998 (following the mid-1998 crisis) and 2002.

19. (U) Comment: Despite current economic worries and the recent downtick in airline travel numbers, the United States is an attractive tourist destination for many middle to upper class Russians, and could become even more so in the future. Once the economic situation here improves, the United States seems well-positioned to benefit from an influx of Russian tourists. As more Russian tourists travel to the United States and return to Russia to share their positive experiences with others, we expect more and more Russians to vacation in the United States. End Comment.

BEYRLE